

AMENDED IN ASSEMBLY FEBRUARY 14, 2009

CALIFORNIA LEGISLATURE—2009—10 SECOND EXTRAORDINARY SESSION

ASSEMBLY BILL

No. 4

Introduced by Assembly Member ~~Evans~~ Niello

February 11, 2009

~~An act relating to the Budget Act of 2008. An act to add Sections 14661.1 and 70391.7 to the Government Code, to add and repeal Section 20688.6 of, and to add and repeal Chapter 6.5 (commencing with Section 6800) of Part 1 of Division 2 of, the Public Contract Code, and to amend Section 143 of the Streets and Highways Code, relating to public contracts.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 4, as amended, ~~Evans~~ Niello. ~~Budget Act of 2008. Public contracts: design-build: public-private partnerships.~~

(1) Existing law designates the Judicial Council as the entity having full responsibility, jurisdiction, control, and authority over trial court facilities for which title is held by the state, including the acquisition and development of facilities.

Existing law requires the Department of Corrections and Rehabilitation to design, construct, or renovate prison housing units, prison support buildings, and programming space as specified.

Existing law authorizes the Director of General Services, when authorized by the Legislature, to use the design-build procurement process for a specific project to contract and procure state office facilities, other buildings, structures, and related facilities. Existing law requires a bidder participating in the process to provide written declarations, subject to misdemeanor penalties.

This bill would also authorize the Director of General Services or the Secretary of the Department of Corrections and Rehabilitation, as appropriate, to use the design-build procurement process in contracting and procuring a state office facility or prison facility, and would authorize the Judicial Council to use that same process in contracting and procuring a court facility, but would limit this authorization to 5 total projects, to be approved by the Department of Finance, as specified. The bill would require the Department of General Services, the Department of Corrections and Rehabilitation, and the Judicial Council to submit to the Joint Legislative Budget Committee, before January 1, 2014, a report containing a description of each public works project procured through the design-build process, as specified. The bill would require a bidder participating in the process to provide written declarations, subject to misdemeanor penalties, and would thereby impose a state-mandated local program.

(2) Existing law sets forth requirements for the solicitation and evaluation of bids and the awarding of contracts by public entities for the erection, construction, alteration, repair, or improvement of any public structure, building, road, or other public improvement. Existing law also authorizes specified state agencies, cities, and counties to implement alternative procedures for the awarding of contracts on a design-build basis. Existing law, until January 1, 2011, authorizes transit operators to enter into a design-build contract, as defined, according to specified procedures.

This bill would, until January 1, 2014, allow certain state and local transportation entities, if authorized by the California Transportation Commission, to use a design-build process for contracting on transportation projects, as specified. The bill would require a transportation entity to implement, or contract with a third-party to implement, a labor compliance program for design-build projects, except as specified. The bill would also require these transportation entities to report to the commission, and the commission to submit a mid-term and a final report to the Legislature, regarding the design-build process as specified. The bill would establish a procedure for submitting bids that includes a requirement that design-build entities provide a statement of qualifications submitted to the transportation entity that is verified under oath. Because a verification under oath is made under penalty of perjury, the bill would, by requiring a verification, create a new crime and thereby impose a state-mandated local program.

(3) *Under existing law, any work of grading, clearing, demolition, or construction undertaken by a redevelopment agency is required to be done by contract after competitive bidding if the cost of that work exceeds a specified amount.*

This bill would, until January 1, 2016, authorize a redevelopment agency, with the approval of its duly constituted board in a public hearing, to enter into design-build contracts for projects, as defined, in excess of \$1,000,000, in accordance with specified provisions. This bill would authorize up to 10 design-build contracts, would require an agency to apply to the State Public Works Board for authorization to enter a design-build contract, as provided, and would require the State Public Works Board to notify the Legislative Analyst's Office when 10 projects have been approved. This bill would also require an agency using the design-build method to submit a report to the Legislative Analyst's Office, as provided, and for the Legislative Analyst to report to the Legislature before January 1, 2015, on the agency's use of the design-build method, as provided.

This bill would require specified information to be verified under oath, thus imposing a state-mandated local program by expanding the scope of existing crime.

(4) *Existing law authorizes the Department of Transportation and regional transportation agencies, as defined, until January 1, 2012, to enter into comprehensive development lease agreements with public and private entities, or consortia of those entities, for certain transportation projects that may charge certain users of those projects tolls and user fees, subject to various terms and requirements. Existing law limits the number of projects authorized pursuant to these provisions to 2 in northern California and 2 in southern California.*

This bill would extend the authorization for these agreements to January 1, 2017, and would delete the restriction on the number of projects that may be undertaken pursuant to these provisions. The bill would require the projects to be primarily designed to achieve improved mobility, improved operations or safety, and quantifiable air quality benefits.

(5) *Existing law requires that the negotiated lease agreements be submitted to the Legislature for approval or rejection. Under existing law, the Legislature has 60 legislative days to act after submittal of the agreement and the agreement is deemed approved unless both houses of the Legislature concur in the passage of a resolution rejecting the*

agreement. Existing law prohibits the Legislature from amending these lease agreements.

The bill would eliminate that prohibition and the provision requiring approval or rejection by the Legislature. The bill would require that all lease agreements first be submitted to the California Transportation Commission for approval, then to the Legislature and the Public Infrastructure Advisory Commission, as defined, for review, as specified. The bill would also require the Public Infrastructure Advisory Commission to perform specified acts and would authorize that commission to charge the department and regional transportation agencies a fee for specified services.

(6) Existing law authorizes the department and regional transportation agencies to utilize various procurement approaches, including, among other things, acceptance of unsolicited proposals, as specified.

This bill would prohibit the department or a regional transportation agency from awarding a contract to an unsolicited bidder without receiving at least one other responsible bid.

(7) Under existing law, for these projects, tolls and user fees may not be charged to noncommercial vehicles with 3 or fewer axles.

This bill would eliminate that prohibition.

(8) Existing law imposes various contract requirements for these projects, including permitting compensation for a leaseholder for losses in toll or fee revenues in certain instances if caused by the construction of supplemental transportation projects, but prohibits the compensation to exceed the reduction in revenues.

This bill would prohibit that compensation from exceeding the difference between the reduction in revenues and the amount necessary to cover the costs of debt service, as specified. The bill would additionally require the agreements to include an indemnity agreement, as specified, and to authorize the contracting entity or lessee to utilize the design-build method of procurement for transportation projects, subject to specified conditions. The bill would also require contracting entities or lessees to have specified qualifications.

The bill would authorize the department or the regional transportation agency, when evaluating a proposal submitted by a contracting entity or lessee, to award a contract on the basis of the lowest bid or best value, as defined.

The bill would provide that the Department of Transportation is the responsible agency for the performance of certain tasks and the

preparation of certain documents, relative to projects on the state highway system, where a regional transportation agency is otherwise the sponsor of the project. The bill would state that the department may perform those functions with department employees or with consultants contracted by the department.

(9) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

~~This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2008.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.
State-mandated local program: ~~no~~-yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 14661.1 is added to the Government Code,
2 to read:

3 14661.1. (a) For purposes of this section, the definitions in
4 subdivision (a) of Section 13332.19 shall apply. For purposes of
5 subdivision (a) of Section 13332.19, references to the Department
6 of General Services shall be deemed to be references to the
7 Department of General Services or the Department of Corrections
8 and Rehabilitation, as applicable.

9 (b) Notwithstanding any provision of the Public Contract Code
10 or any other provision of law, when the Legislature appropriates
11 funds for a specific project, or for any project using funds
12 appropriated pursuant to Chapter 3.2.1 (commencing with Section
13 15819.40) or 3.2.2 (commencing with Section 15819.41) of Part
14 10b of this division, the Director of General Services or the
15 Secretary of the Department of Corrections and Rehabilitation,
16 as appropriate, may contract and procure state office facilities
17 and prison facilities pursuant to this section.

18 (c) Prior to contracting with a design-build entity for the
19 procurement of a state office facility or prison facility under this
20 section, the Director of General Services or the Secretary of the
21 Department of Corrections and Rehabilitation shall:

1 (1) Prepare a program setting forth the performance criteria
2 for the design-build project. The performance criteria shall be
3 prepared by a design professional duly licensed and registered in
4 the State of California.

5 (2) (A) Establish a competitive prequalification and selection
6 process for design-build entities, including any subcontractors
7 listed at the time of bid, that clearly specifies the prequalification
8 criteria, and states the manner in which the winning design-build
9 entity will be selected.

10 (B) Prequalification shall be limited to consideration of all of
11 the following criteria:

12 (i) Possession of all required licenses, registration, and
13 credentials in good standing that are required to design and
14 construct the project.

15 (ii) Submission of evidence that establishes that the design-build
16 entity members have completed, or demonstrated the capability
17 to complete, projects of similar size, scope, or complexity, and that
18 proposed key personnel have sufficient experience and training to
19 competently manage and complete the design and construction of
20 the project.

21 (iii) Submission of a proposed project management plan that
22 establishes that the design-build entity has the experience,
23 competence, and capacity needed to effectively complete the
24 project.

25 (iv) Submission of evidence that establishes that the design-build
26 entity has the capacity to obtain all required payment and
27 performance bonding, liability insurance, and errors and omissions
28 insurance, as well as a financial statement that assures the
29 Department of General Services or the Department of Corrections
30 and Rehabilitation that the design-build entity has the capacity to
31 complete the project.

32 (v) Provision of a declaration certifying that applying members
33 of the design-build entity have not had a surety company finish
34 work on any project within the last five years.

35 (vi) Provision of information and a declaration providing detail
36 concerning all of the following:

37 (I) Any construction or design claim or litigation totaling more
38 than five hundred thousand dollars (\$500,000) or 5 percent of the
39 annual value of work performed, whichever is less, settled against
40 any member of the design-build entity over the last five years.

1 ~~(II) Serious violations of the California Occupational Safety~~
2 ~~and Health Act of 1973, as provided in Part 1 (commencing with~~
3 ~~Section 6300) of Division 5 of the Labor Code, settled against any~~
4 ~~member of the design-build entity.~~

5 ~~(III) Violations of federal or state law, including, but not limited~~
6 ~~to, those laws governing the payment of wages, benefits, or~~
7 ~~personal income tax withholding, of Federal Insurance~~
8 ~~Contributions Act (FICA) withholding requirements, state disability~~
9 ~~insurance withholding, or unemployment insurance payment~~
10 ~~requirements, settled against any member of the design-build entity~~
11 ~~over the last five years. For purposes of this subclause, only~~
12 ~~violations by a design-build member as an employer shall be~~
13 ~~deemed applicable, unless it is shown that the design-build entity~~
14 ~~member, in his or her capacity as an employer, had knowledge of~~
15 ~~his or her subcontractor's violations or failed to comply with the~~
16 ~~conditions set forth in subdivision (b) of Section 1775 of the Labor~~
17 ~~Code.~~

18 ~~(IV) Information required by Section 10162 of the Public~~
19 ~~Contract Code.~~

20 ~~(V) Violations of the Contractors' State License Law (Chapter~~
21 ~~9 (commencing with Section 7000) of Division 3 of the Business~~
22 ~~and Professions Code), excluding alleged violations or complaints.~~

23 ~~(VI) Any conviction of any member of the design-build entity of~~
24 ~~submitting a false or fraudulent claim to a public agency over the~~
25 ~~last five years.~~

26 ~~(vii) Provision of a declaration that the design-build entity will~~
27 ~~comply with all other provisions of law applicable to the project,~~
28 ~~including, but not limited to, the requirements of Chapter 1~~
29 ~~(commencing with Section 1720) of Part 7 of Division 2 of the~~
30 ~~Labor Code.~~

31 ~~(C) The Director of General Services or the Secretary of the~~
32 ~~Department of Corrections and Rehabilitation, when requested~~
33 ~~by the design-build entity, shall hold in confidence any information~~
34 ~~required by clauses (i) to (vi), inclusive, of subparagraph (B).~~

35 ~~(D) Any declaration required under subparagraph (B) shall~~
36 ~~state that reasonable diligence has been used in its preparation~~
37 ~~and that it is true and complete to the best of the signer's~~
38 ~~knowledge. A person who certifies as true any material matter that~~
39 ~~he or she knows to be false is guilty of a misdemeanor and shall~~
40 ~~be punished by not more than one year in a county jail, by a fine~~

1 of not more than five thousand dollars (\$5,000), or by both the
2 fine and imprisonment.

3 (3) (A) Determine, as he or she deems in the best interests of
4 the state, which of the following methods listed in subparagraph
5 (B) will be used as the process for the winning design-build entity.
6 He or she shall provide a notification to the State Public Works
7 Board, regarding the method selected for determining the winning
8 design-build entity, at least 30 days prior to publicizing the
9 design-build solicitation package.

10 (B) The Director of General Services or the Secretary of the
11 Department of Corrections and Rehabilitation shall make his or
12 her determination by choosing one of the following methods:

13 (i) A design-build competition based upon performance, price,
14 and other criteria set forth by the Department of General Services
15 or the Department of Corrections and Rehabilitation in the
16 design-build solicitation package. The Department of General
17 Services or the Department of Corrections and Rehabilitation shall
18 establish technical criteria and methodology, including price, to
19 evaluate proposals and shall describe the criteria and methodology
20 in the design-build solicitation package. Award shall be made to
21 the design-build entity whose proposal is judged as providing the
22 best value in meeting the interests of the Department of General
23 Services or the Department of Corrections and Rehabilitation and
24 meeting the objectives of the project. A project with an approved
25 budget of ten million dollars (\$10,000,000) or more may be
26 awarded pursuant to this clause.

27 (ii) A design-build competition based upon performance and
28 other criteria set forth by the Department of General Services or
29 the Department of Corrections and Rehabilitation in the
30 design-build solicitation package. Criteria used in this evaluation
31 of proposals may include, but need not be limited to, items such
32 as proposed design approach, life-cycle costs, project features,
33 and functions. However, any criteria and methods used to evaluate
34 proposals shall be limited to those contained in the design-build
35 solicitation package. Award shall be made to the design-build
36 entity whose proposal is judged as providing the best value, for
37 the lowest price, meeting the interests of the Department of General
38 Services or the Department of Corrections and Rehabilitation and
39 meeting the objectives of the project. A project with an approved

1 *budget of ten million dollars (\$10,000,000) or more may be*
2 *awarded pursuant to this clause.*

3 *(iii) A design-build competition based upon program*
4 *requirements and a detailed scope of work, including any*
5 *performance criteria and concept drawings set forth by the*
6 *Department of General Services or the Department of Corrections*
7 *and Rehabilitation in the design-build solicitation package. Award*
8 *shall be made on the basis of the lowest responsible bid. A project*
9 *with an approved budget of two hundred fifty thousand dollars*
10 *(\$250,000) or more may be awarded pursuant to this clause.*

11 *(4) For purposes of this subdivision, the following definitions*
12 *shall apply:*

13 *(A) "Best interest of the state" means a design-build process*
14 *that is projected by the Director of General Services or the*
15 *Secretary of the Department of Corrections and Rehabilitation to*
16 *reduce the project delivery schedule and total cost of a project*
17 *while maintaining a high level of quality workmanship and*
18 *materials, when compared to the traditional design-bid-build*
19 *process.*

20 *(B) "Best value" means a value determined by objective criteria*
21 *that may include, but are not limited to, price, features, functions,*
22 *life-cycle costs, experience, and other criteria deemed appropriate*
23 *by the Department of General Services or the Department of*
24 *Corrections and Rehabilitation.*

25 *(d) The Legislature recognizes that the design-build entity is*
26 *charged with performing both design and construction. Because*
27 *a design-build contract may be awarded prior to the completion*
28 *of the design, it is often impracticable for the design-build entity*
29 *to list all subcontractors at the time of the award. As a result, the*
30 *subcontractor listing requirements contained in Chapter 4*
31 *(commencing with Section 4100) of Part 1 of Division 2 of the*
32 *Public Contract Code can create a conflict with the implementation*
33 *of the design-build process by requiring all subcontractors to be*
34 *listed at a time when a sufficient set of plans shall not be available.*
35 *It is the intent of the Legislature to establish a clear process for*
36 *the selection and award of subcontracts entered into pursuant to*
37 *this section in a manner that retains protection for subcontractors*
38 *while enabling design-build projects to be administered in an*
39 *efficient fashion. Therefore, all of the following requirements shall*
40 *apply to subcontractors, licensed pursuant to Chapter 9*

1 (commencing with Section 7000) of Division 3 of the Business and
2 Professions Code, that are employed on design-build projects
3 undertaken pursuant to this section:

4 (1) The Department of General Services and the Department
5 of Corrections and Rehabilitation, in each design-build solicitation
6 package, may identify types of subcontractors, by subcontractor
7 license classification, that will be listed by the design-build entity
8 at the time of the bid. In selecting the subcontractors that will be
9 listed by the design-build entity, the Department of General
10 Services and the Department of Corrections and Rehabilitation
11 shall limit the identification to only those license classifications
12 deemed essential for proper completion of the project. In no event,
13 however, may the Department of General Services or the
14 Department of Corrections and Rehabilitation specify more than
15 five licensed subcontractor classifications. In addition, at its
16 discretion, the design-build entity may list an additional two
17 subcontractors, identified by subcontractor license classification,
18 that will perform design or construction work, or both, on the
19 project. In no event shall the design-build entity list at the time of
20 bid a total number of subcontractors that will perform design or
21 construction work, or both, in a total of more than seven
22 subcontractor license classifications on a project. All
23 subcontractors that are listed at the time of bid shall be afforded
24 all of the protection contained in Chapter 4 (commencing with
25 Section 4100) of Part 1 of Division 2 of the Public Contract Code.
26 All subcontracts that were not listed by the design-build entity at
27 the time of bid shall be awarded in accordance with paragraph
28 (2).

29 (2) All subcontracts that were not to be performed by the
30 design-build entity in accordance with paragraph (1) shall be
31 competitively bid and awarded by the design-build entity, in
32 accordance with the design-build process set forth by the
33 Department of General Services or the Department of Corrections
34 and Rehabilitation in the design-build solicitation package. The
35 design-build entity shall do all of the following:

36 (A) Provide public notice of the availability of work to be
37 subcontracted in accordance with Section 10140 of the Public
38 Contract Code.

1 (B) Provide a fixed date and time on which the subcontracted
2 work will be awarded in accordance with Section 10141 of the
3 Public Contract Code.

4 (C) As authorized by the Department of General Services or
5 the Department of Corrections and Rehabilitation, establish
6 reasonable prequalification criteria and standards, limited in
7 scope to those detailed in paragraph (2) of subdivision (c).

8 (D) Provide that the subcontracted work shall be awarded to
9 the lowest responsible bidder.

10 (e) This section shall not be construed and is not intended to
11 extend or limit the authority specified in Section 19130.

12 (f) Any design-build entity that is selected to design and
13 construct a project pursuant to this section shall possess or obtain
14 sufficient bonding consistent with applicable provisions of the
15 Public Contract Code. Nothing in this section shall prohibit a
16 general or engineering contractor from being designated the lead
17 entity on a design-build entity for the purposes of purchasing
18 necessary bonding to cover the activities of the design-build entity.

19 (g) Any payment or performance bond written for the purposes
20 of this section shall use a bond form developed by the Department
21 of General Services or the Department of Corrections and
22 Rehabilitation. In developing the bond form, the Department of
23 General Services or the Department of Correction and
24 Rehabilitation shall consult with the surety industry to achieve a
25 bond form that is consistent with surety industry standards, while
26 protecting the interests of the state.

27 (h) The Department of General Services or the Department of
28 Corrections and Rehabilitation, as appropriate, shall each submit
29 to the Joint Legislative Budget Committee, before January 1, 2014,
30 a report containing a description of each public works project
31 procured by that department through the design-build process
32 described in this section that is completed after January 1, 2009,
33 and before December 1, 2013. The report shall include, but shall
34 not be limited to, all of the following information:

35 (1) The type of project.

36 (2) The gross square footage of the project.

37 (3) The design-build entity that was awarded the project.

38 (4) The estimated and actual project costs.

39 (5) An assessment of the prequalification process and criteria.

1 (6) *An assessment of the effect of any retention on the project*
2 *made under the law.*

3 (7) *A description of the method used to award the contract. If*
4 *the best value method was used, the report shall describe the*
5 *factors used to evaluate the bid, including the weighting of each*
6 *factor and an assessment of the effectiveness of the methodology.*

7 (i) *The authority provided under this section shall be in addition*
8 *to the authority provided to the Department of General Services*
9 *pursuant to Section 4 of Chapter 252 of the Statutes of 1998, as*
10 *amended by Section 3 of Chapter 154 of the Statutes of 2007. The*
11 *authority under this section and Section 70391.7 shall apply to a*
12 *total of not more than five state office facilities, prison facilities,*
13 *or court facilities, which shall be determined pursuant to this*
14 *subdivision.*

15 (1) *In order to enter into a contract utilizing the procurement*
16 *method authorized under this section, the Director of General*
17 *Services or the Secretary of the Department of Corrections and*
18 *Rehabilitation shall submit a request to the Department of Finance.*

19 (2) *The Department of Finance shall make a determination*
20 *whether to approve or deny a request made pursuant to paragraph*
21 *(1) if the design-build project requested will not exceed the five*
22 *facilities maximum set forth in this section and Section 70391.7.*

23 (3) *After receiving notification that the Department of Finance*
24 *has approved the request and that the Legislature has appropriated*
25 *funds for a specific project, the director or secretary may enter*
26 *into a design-build contract under this section.*

27 (j) *Nothing in this section is intended to affect, expand, alter,*
28 *or limit any rights or remedies otherwise available under the law.*

29 SEC. 2. *Section 70391.7 is added to the Government Code, to*
30 *read:*

31 70391.7. (a) *For purposes of this section, the definitions in*
32 *subdivision (a) of Section 13332.19 shall apply. For purposes of*
33 *subdivision (a) of Section 13332.19, references to the Department*
34 *of General Services shall be deemed to be references to the Judicial*
35 *Council.*

36 (b) *Notwithstanding any provision of the Public Contract Code*
37 *or any other law, when the Legislature appropriates funds for a*
38 *specific project, the Judicial Council may contract and procure*
39 *court facilities pursuant to this section.*

1 (c) Prior to contracting with a design-build entity for the
2 procurement of a court facility under this section, the Judicial
3 Council shall:

4 (1) Prepare a program setting forth the performance criteria
5 for the design-build project. The performance criteria shall be
6 prepared by a design professional duly licensed and registered in
7 the State of California.

8 (2) (A) Establish a competitive prequalification and selection
9 process for design-build entities, including any subcontractors
10 listed at the time of bid, that clearly specifies the prequalification
11 criteria, and states the manner in which the winning design-build
12 entity will be selected.

13 (B) Prequalification shall be limited to consideration of all of
14 the following criteria:

15 (i) Possession of all required licenses, registration, and
16 credentials in good standing that are required to design and
17 construct the project.

18 (ii) Submission of evidence that establishes that the design-build
19 entity members have completed, or demonstrated the capability
20 to complete, projects of similar size, scope, or complexity, and that
21 proposed key personnel have sufficient experience and training to
22 competently manage and complete the design and construction of
23 the project.

24 (iii) Submission of a proposed project management plan that
25 establishes that the design-build entity has the experience,
26 competence, and capacity needed to effectively complete the
27 project.

28 (iv) Submission of evidence that establishes that the design-build
29 entity has the capacity to obtain all required payment and
30 performance bonding, liability insurance, and errors and omissions
31 insurance, as well as a financial statement that assures the Judicial
32 Council that the design-build entity has the capacity to complete
33 the project.

34 (v) Provision of a declaration certifying that applying members
35 of the design-build entity have not had a surety company finish
36 work on any project within the last five years.

37 (vi) Provision of information and a declaration providing detail
38 concerning all of the following:

39 (I) Any construction or design claim or litigation totaling more
40 than five hundred thousand dollars (\$500,000) or 5 percent of the

1 *annual value of work performed, whichever is less, settled against*
2 *any member of the design-build entity over the last five years.*

3 *(II) Serious violations of the California Occupational Safety*
4 *and Health Act of 1973, as provided in Part 1 (commencing with*
5 *Section 6300) of Division 5 of the Labor Code, settled against any*
6 *member of the design-build entity.*

7 *(III) Violations of federal or state law, including, but not limited*
8 *to, those laws governing the payment of wages, benefits, or*
9 *personal income tax withholding, or of Federal Insurance*
10 *Contributions Act (FICA) withholding requirements, state disability*
11 *insurance withholding, or unemployment insurance payment*
12 *requirements, settled against any member of the design-build entity*
13 *over the last five years. For purposes of this subclause, only*
14 *violations by a design-build member as an employer shall be*
15 *deemed applicable, unless it is shown that the design-build entity*
16 *member, in his or her capacity as an employer, had knowledge of*
17 *his or her subcontractor's violations or failed to comply with the*
18 *conditions set forth in subdivision (b) of Section 1775 of the Labor*
19 *Code.*

20 *(IV) Information required by Section 10162 of the Public*
21 *Contract Code.*

22 *(V) Violations of the Contractors' State License Law (Chapter*
23 *9 (commencing with Section 7000) of Division 3 of the Business*
24 *and Professions Code), excluding alleged violations or complaints.*

25 *(VI) Any conviction of any member of the design-build entity of*
26 *submitting a false or fraudulent claim to a public agency over the*
27 *last five years.*

28 *(vii) Provision of a declaration that the design-build entity will*
29 *comply with all other provisions of law applicable to the project,*
30 *including, but not limited to, the requirements of Chapter 1*
31 *(commencing with Section 1720) of Part 7 of Division 2 of the*
32 *Labor Code.*

33 *(C) The Judicial Council, when requested by the design-build*
34 *entity, shall hold in confidence any information required by clauses*
35 *(i) to (vi), inclusive, of subparagraph (B).*

36 *(D) Any declaration required under subparagraph (B) shall*
37 *state that reasonable diligence has been used in its preparation*
38 *and that it is true and complete to the best of the signer's*
39 *knowledge. A person who certifies as true any material matter that*
40 *he or she knows to be false is guilty of a misdemeanor and shall*

1 *be punished by not more than one year in a county jail, by a fine*
2 *of not more than five thousand dollars (\$5,000), or by both the*
3 *fine and imprisonment.*

4 *(3) (A) Determine, as the Judicial Council deems in the best*
5 *interests of the state, which of the following methods listed in*
6 *subparagraph (B) will be used as the process for the winning*
7 *design-build entity. The Judicial Council shall provide a*
8 *notification to the State Public Works Board, regarding the method*
9 *selected for determining the winning design-build entity, at least*
10 *30 days prior to publicizing the design-build solicitation package.*

11 *(B) The Judicial Council shall make its determination by*
12 *choosing one of the following methods:*

13 *(i) A design-build competition based upon performance, price,*
14 *and other criteria set forth by the Judicial Council in the*
15 *design-build solicitation package. The Judicial Council shall*
16 *establish technical criteria and methodology, including price, to*
17 *evaluate proposals and shall describe the criteria and methodology*
18 *in the design-build solicitation package. Award shall be made to*
19 *the design-build entity whose proposal is judged as providing the*
20 *best value in meeting the interests of the Judicial Council and*
21 *meeting the objectives of the project. A project with an approved*
22 *budget of ten million dollars (\$10,000,000) or more may be*
23 *awarded pursuant to this clause.*

24 *(ii) A design-build competition based upon performance and*
25 *other criteria set forth by the Judicial Council in the design-build*
26 *solicitation package. Criteria used in this evaluation of proposals*
27 *may include, but need not be limited to, items such as proposed*
28 *design approach, life-cycle costs, project features, and functions.*
29 *However, any criteria and methods used to evaluate proposals*
30 *shall be limited to those contained in the design-build solicitation*
31 *package. Award shall be made to the design-build entity whose*
32 *proposal is judged as providing the best value, for the lowest price,*
33 *meeting the interests of the Judicial Council and meeting the*
34 *objectives of the project. A project with an approved budget of ten*
35 *million dollars (\$10,000,000) or more may be awarded pursuant*
36 *to this clause.*

37 *(iii) A design-build competition based upon program*
38 *requirements and a detailed scope of work, including any*
39 *performance criteria and concept drawings set forth by the Judicial*
40 *Council in the design-build solicitation package. Award shall be*

1 *made on the basis of the lowest responsible bid. A project with an*
2 *approved budget of two hundred fifty thousand dollars (\$250,000)*
3 *or more may be awarded pursuant to this clause.*

4 *(4) For purposes of this subdivision, the following definitions*
5 *shall apply:*

6 *(A) “Best interest of the state” means a design-build process*
7 *that is projected by the Judicial Council to reduce the project*
8 *delivery schedule and total cost of a project while maintaining a*
9 *high level of quality workmanship and materials, when compared*
10 *to the traditional design-bid-build process.*

11 *(B) “Best value” means a value determined by objective criteria*
12 *that may include, but are not limited to, price, features, functions,*
13 *life-cycle costs, experience, and other criteria deemed appropriate*
14 *by the Judicial Council.*

15 *(d) The Legislature recognizes that the design-build entity is*
16 *charged with performing both design and construction. Because*
17 *a design-build contract may be awarded prior to the completion*
18 *of the design, it is often impracticable for the design-build entity*
19 *to list all subcontractors at the time of the award. As a result, the*
20 *subcontractor listing requirements contained in Chapter 4*
21 *(commencing with Section 4100) of Part 1 of Division 2 of the*
22 *Public Contract Code can create a conflict with the implementation*
23 *of the design-build process by requiring all subcontractors to be*
24 *listed at a time when a sufficient set of plans may not be available.*
25 *It is the intent of the Legislature to establish a clear process for*
26 *the selection and award of subcontracts entered into pursuant to*
27 *this section in a manner that retains protection for subcontractors*
28 *while enabling design-build projects to be administered in an*
29 *efficient fashion. Therefore, all of the following requirements shall*
30 *apply to subcontractors, licensed pursuant to Chapter 9*
31 *(commencing with Section 7000) of Division 3 of the Business and*
32 *Professions Code, that are employed on design-build projects*
33 *undertaken pursuant to this section:*

34 *(1) The Judicial Council, in each design-build solicitation*
35 *package, may identify types of subcontractors, by subcontractor*
36 *license classification, that will be listed by the design-build entity*
37 *at the time of the bid. In selecting the subcontractors that will be*
38 *listed by the design-build entity, the Judicial Council shall limit*
39 *the identification to only those license classifications deemed*
40 *essential for proper completion of the project. In no event, however,*

1 may the Judicial Council specify more than five licensed
2 subcontractor classifications. In addition, at its discretion, the
3 design-build entity may list an additional two subcontractors,
4 identified by subcontractor license classification, that will perform
5 design or construction work, or both, on the project. In no event
6 shall the design-build entity list at the time of bid a total number
7 of subcontractors that will perform design or construction work,
8 or both, in a total of more than seven subcontractor license
9 classifications on a project. All subcontractors that are listed at
10 the time of bid shall be afforded all of the protection contained in
11 Chapter 4 (commencing with Section 4100) of Part 1 of Division
12 2 of the Public Contract Code. All subcontracts that were not listed
13 by the design-build entity at the time of bid shall be awarded in
14 accordance with paragraph (2).

15 (2) All subcontracts that were not to be performed by the
16 design-build entity in accordance with paragraph (1) shall be
17 competitively bid and awarded by the design-build entity, in
18 accordance with the design-build process set forth by the Judicial
19 Council in the design-build solicitation package. The design-build
20 entity shall do all of the following:

21 (A) Provide public notice of the availability of work to be
22 subcontracted in accordance with Section 10140 of the Public
23 Contract Code.

24 (B) Provide a fixed date and time on which the subcontracted
25 work will be awarded in accordance with Section 10141 of the
26 Public Contract Code.

27 (C) As authorized by the Judicial Council, establish reasonable
28 prequalification criteria and standards, limited in scope to those
29 detailed in paragraph (2) of subdivision (c).

30 (D) Provide that the subcontracted work shall be awarded to
31 the lowest responsible bidder.

32 (e) This section shall not be construed and is not intended to
33 extend or limit the authority specified in Section 19130.

34 (f) Any design-build entity that is selected to design and
35 construct a project pursuant to this section shall possess or obtain
36 sufficient bonding consistent with applicable provisions of the
37 Public Contract Code. Nothing in this section shall prohibit a
38 general or engineering contractor from being designated the lead
39 entity on a design-build entity for the purposes of purchasing
40 necessary bonding to cover the activities of the design-build entity.

1 (g) Any payment or performance bond written for the purposes
2 of this section shall use a bond form developed by the Judicial
3 Council. In developing the bond form, the Judicial Council shall
4 consult with the surety industry to achieve a bond form that is
5 consistent with surety industry standards, while protecting the
6 interests of the state.

7 (h) The Judicial Council shall submit to the Joint Legislative
8 Budget Committee, before January 1, 2014, a report containing
9 a description of each public works project procured through the
10 design-build process described in this section that is completed
11 after January 1, 2009, and before December 1, 2013. The report
12 shall include, but shall not be limited to, all of the following
13 information:

- 14 (1) The type of project.
- 15 (2) The gross square footage of the project.
- 16 (3) The design-build entity that was awarded the project.
- 17 (4) The estimated and actual project costs.
- 18 (5) An assessment of the prequalification process and criteria.
- 19 (6) An assessment of the effect of any retention on the project
20 made under the law.

21 (7) A description of the method used to award the contract. If
22 the best value method was used, the report shall describe the
23 factors used to evaluate the bid, including the weighting of each
24 factor and an assessment of the effectiveness of the methodology.

25 (i) The authority under this section and Section 14661.1 shall
26 apply to a total of not more than five state office facilities, prison
27 facilities, or court facilities, which shall be determined pursuant
28 to this subdivision.

29 (1) In order to enter into a contract utilizing the procurement
30 method authorized under this section, the Judicial Council shall
31 submit a request to the Department of Finance.

32 (2) The Department of Finance shall make a determination
33 whether to approve or deny a request made pursuant to paragraph
34 (1) if the design-build project requested will not exceed the five
35 facilities maximum set forth in this section and Section 14661.1.

36 (3) After receiving notification that the Department of Finance
37 has approved the request and that the Legislature has appropriated
38 funds for a specific project, the Judicial Council may enter into a
39 design-build contract under this section.

1 (j) *Nothing in this section is intended to affect, expand, alter,*
2 *or limit any rights or remedies otherwise available under the law.*

3 SEC. 3. Chapter 6.5 (commencing with Section 6800) is added
4 to Part 1 of Division 2 of the Public Contract Code, to read:

5
6 CHAPTER 6.5. *THE DESIGN-BUILD DEMONSTRATION PROGRAM*
7

8 6800. *The Legislature hereby finds and declares all of the*
9 *following:*

10 *The design-build method of procurement authorized under this*
11 *chapter should be evaluated for the purposes of exploring whether*
12 *the potential exists for reduced project costs, expedited project*
13 *completion, or design features that are not achievable through the*
14 *traditional design-bid-build method. A demonstration program*
15 *will allow for a careful examination of the benefits and challenges*
16 *of design-build contracting on a limited number of projects. This*
17 *chapter shall not be deemed to provide a preference for the*
18 *design-build method over other procurement methodologies.*

19 6801. *For purposes of this chapter, the following definitions*
20 *apply:*

21 (a) *“Best value” means a value determined by objective criteria,*
22 *including, but not limited to, price, features, functions, life cycle*
23 *costs, and other criteria deemed appropriate by the transportation*
24 *entity.*

25 (b) *“Commission” means the California Transportation*
26 *Commission.*

27 (c) *“Design-build” means a procurement process in which both*
28 *the design and construction of a project are procured from a single*
29 *entity.*

30 (d) *“Design-build entity” means a partnership, corporation, or*
31 *other legal entity that is able to provide appropriately licensed*
32 *contracting, architectural, and engineering services as needed*
33 *pursuant to a design-build contract.*

34 (e) *“Design-build team” means the design-build entity itself*
35 *and the individuals and other entities identified by the design-build*
36 *entity as members of its team.*

37 (f) *“Department” means the Department of Transportation as*
38 *established under Part 5 (commencing with Section 14000) of*
39 *Division 3 of the Government Code.*

1 (g) “Local transportation entity” means a transportation
2 authority designated pursuant to Division 19 (commencing with
3 Section 180000) of the Public Utilities Code, any consolidated
4 agency created pursuant to Chapter 3 (commencing with Section
5 132350) of Division 12.7 of the Public Utilities Code, the Santa
6 Clara Valley Transportation Authority established under Part 12
7 (commencing with Section 100000) of Division 10 of the Public
8 Utilities Code, and any other local or regional transportation
9 entity that is designated by statute as a regional transportation
10 agency.

11 (h) “Transportation entity” means the department or a local
12 transportation entity.

13 6802. (a) Subject to the limitations of this chapter, a local
14 transportation entity, if authorized by the commission, may utilize
15 the design-build method of procurement for up to five projects that
16 may be for local street or road, bridge, tunnel, or public transit
17 projects within the jurisdiction of the entity.

18 (b) Subject to the limitations of this chapter, the department, if
19 authorized by the commission, may utilize the design-build method
20 of procurement for up to 10 state highway, bridge, or tunnel
21 projects.

22 6803. (a) Only 15 design-build projects shall be authorized
23 under this chapter. The projects selected shall vary in size, type,
24 and geographical location.

25 (b) The commission shall determine whether a transportation
26 entity may award a design-build contract based on lowest
27 responsible bid or best value. The commission shall balance the
28 number of transportation entities that may use the low bid and
29 best value selection methods in order to ensure that the number
30 of design-build contracts awarded will enable the commission to
31 determine the costs and benefits of using each method.

32 (c) In order to be eligible for consideration as one of the 15
33 design-build projects authorized under this chapter, the proposed
34 project shall be subject to the existing process under the state
35 transportation improvement program (Chapter 2 (commencing
36 with Section 14520) of Part 5.3 of Division 3 of Title 2 of the
37 Government Code), the Highway Safety, Traffic Reduction, Air
38 Quality, and Port Security Bond Act of 2006 (Chapter 12.49
39 (commencing with Section 8879.20) of Division 1 of Title 2 of the
40 Government Code), the traffic congestion relief program (Chapter

1 4.5 (commencing with Section 14556) of Part 5.3 of Division 3 of
2 Title 2 of the Government Code), or the state highway operations
3 and protection program established pursuant to Section 14526.5
4 of the Government Code.

5 (d) The commission shall establish a peer review committee to
6 conduct an evaluation of the 15 projects selected to utilize the
7 design-build method of procurement.

8 (e) The commission shall develop guidelines for a standard
9 organizational conflict-of-interest policy, consistent with applicable
10 law, regarding the ability of a person or entity, that performs
11 services for the transportation entity relating to the solicitation of
12 a design-build project, to submit a proposal as a design-build
13 entity, or to join a design-build team. This conflict-of-interest
14 policy shall apply to each transportation entity entering into
15 design-build contracts authorized under this chapter.

16 6804. (a) For contracts awarded prior to the effective date of
17 either the regulations adopted by the Department of Industrial
18 Relations pursuant to subdivision (b) of Section 1771.55 of the
19 Labor Code or the fees established by the department pursuant to
20 subdivision (b), a transportation entity authorized to use the
21 design-build method of procurement shall implement a labor
22 compliance program, as described in Section 1771.5 of the Labor
23 Code, or it shall contract with a third party to implement, on the
24 transportation entity's behalf, a labor compliance program subject
25 to that statute. This requirement does not apply to a project where
26 the transportation entity or design-build entity has entered into
27 any collective bargaining agreement or agreements that bind all
28 of the contractors performing work on the projects.

29 (b) For contracts awarded on or after the effective date of both
30 the regulations adopted by the Department of Industrial Relations
31 pursuant to subdivision (b) of Section 1771.55 of the Labor Code
32 and the fees established by the department pursuant to this
33 subdivision, the transportation entity shall pay a fee to the
34 department, in an amount that the department shall establish, and
35 as it may from time to time amend, sufficient to support the
36 department's costs in ensuring compliance with and enforcing
37 prevailing wage requirements on the project, and labor compliance
38 enforcement as set forth in subdivision (b) of Section 1771.55 of
39 the Labor Code. All fees collected pursuant to this subdivision
40 shall be deposited in the State Public Works Enforcement Fund,

1 *created by 1771.3 of the Labor Code, and shall be used only for*
2 *enforcement of prevailing wage requirements on those projects.*

3 *(c) The Department of Industrial Relations may waive the fee*
4 *set forth in subdivision (b) for a transportation entity that has*
5 *previously been granted approval by the director to initiate and*
6 *operate a labor compliance program on its projects, and that*
7 *requests to continue to operate the labor compliance program on*
8 *its projects in lieu of labor compliance by the department pursuant*
9 *to subdivision (b) of Section 1771.55 of the Labor Code. This fee*
10 *shall not be waived for a transportation entity that contracts with*
11 *a third party to initiate and enforce labor compliance programs*
12 *on the transportation entity's projects.*

13 *6805. The procurement process for the design-build projects*
14 *shall progress as follows:*

15 *(a) The transportation entity shall prepare a set of documents*
16 *setting forth the scope and estimated price of the project. The*
17 *documents may include, but need not be limited to, the size, type,*
18 *and desired design character of the project, performance*
19 *specifications covering the quality of materials, equipment,*
20 *workmanship, preliminary plans, and any other information*
21 *deemed necessary to describe adequately the transportation entity's*
22 *needs. The performance specifications and any plans shall be*
23 *prepared by a design professional who is duly licensed and*
24 *registered in California.*

25 *(b) Based on the documents prepared as described in subdivision*
26 *(a), the transportation entity shall prepare a request for proposals*
27 *that invites interested parties to submit competitive sealed*
28 *proposals in the manner prescribed by the transportation entity.*
29 *The request for proposals shall include, but need not be limited*
30 *to, the following elements:*

31 *(1) Identification of the basic scope and needs of the project or*
32 *contract, the estimated cost of the project, the methodology that*
33 *will be used by the transportation entity to evaluate proposals,*
34 *whether the contract will be awarded on the basis of the lowest*
35 *responsible bid or on best value, and any other information deemed*
36 *necessary by the transportation entity to inform interested parties*
37 *of the contracting opportunity.*

38 *(2) Significant factors that the transportation entity reasonably*
39 *expects to consider in evaluating proposals, including, but not*
40 *limited to, cost or price and all nonprice-related factors.*

1 (3) *The relative importance or the weight assigned to each of*
2 *the factors identified in the request for proposals.*

3 (4) *For transportation entities authorized to utilize best value*
4 *as a selection method, the transportation entity reserves the right*
5 *to request proposal revisions and hold discussions and negotiations*
6 *with responsive bidders and shall so specify in the request for*
7 *proposals and shall publish separately or incorporate into the*
8 *request for proposals applicable rules and procedures to be*
9 *observed by the transportation entity to ensure that any discussions*
10 *or negotiations are conducted in good faith.*

11 (c) *Based on the documents prepared under subdivision (a), the*
12 *transportation entity shall prepare and issue a request for*
13 *qualifications in order to prequalify the design-build entities whose*
14 *proposals shall be evaluated for final selection. The request for*
15 *qualifications shall include, but need not be limited to, the*
16 *following elements:*

17 (1) *Identification of the basic scope and needs of the project or*
18 *contract, the expected cost range, the methodology that will be*
19 *used by the transportation entity to evaluate proposals, the*
20 *procedure for final selection of the design-build entity, and any*
21 *other information deemed necessary by the transportation entity*
22 *to inform interested parties of the contracting opportunity.*

23 (2) (A) *Significant factors that the transportation entity*
24 *reasonably expects to consider in evaluating qualifications,*
25 *including technical design and construction expertise, skilled labor*
26 *force availability, and all other nonprice-related factors.*

27 (B) *For purposes of subparagraph (A), skilled labor force*
28 *availability shall be determined by the existence of an agreement*
29 *with a registered apprenticeship program, approved by the*
30 *California Apprenticeship Council, that has graduated at least*
31 *one apprentice in each of the preceding five years. This graduation*
32 *requirement shall not apply to programs providing apprenticeship*
33 *training for any craft that was first deemed by the Department of*
34 *Labor and the Department of Industrial Relations to be an*
35 *apprenticeable craft within the five years prior to the effective date*
36 *of this article.*

37 (3) *A standard form request for statements of qualifications*
38 *prepared by the transportation entity. In preparing the standard*
39 *form, the transportation entity may consult with the construction*
40 *industry, the building trades and surety industry, and other public*

1 agencies interested in using the authorization provided by this
2 chapter. The standard form shall require information including,
3 but not limited to, all of the following:

4 (A) If the design-build entity is a partnership, limited
5 partnership, joint venture, or other association, a listing of all of
6 the partners, general partners, or association members known at
7 the time of statement of qualification submission who will
8 participate in the design-build contract.

9 (B) Evidence that the members of the design-build entity have
10 completed, or demonstrated the experience, competency, capability,
11 and capacity to complete projects of similar size, scope, or
12 complexity, and that proposed key personnel have sufficient
13 experience and training to competently manage and complete the
14 design and construction of the project, and a financial statement
15 that assures the transportation entity that the design-build entity
16 has the capacity to complete the project.

17 (C) The licenses, registration, and credentials required to design
18 and construct the project, including, but not limited to, information
19 on the revocation or suspension of any license, credential, or
20 registration.

21 (D) Evidence that establishes that the design-build entity has
22 the capacity to obtain all required payment and performance
23 bonding, liability insurance, and errors and omissions insurance.

24 (E) Information concerning workers' compensation experience
25 history and a worker safety program.

26 (F) A full disclosure regarding all of the following that are
27 applicable:

28 (i) Any serious or willful violation of Part 1 (commencing with
29 Section 6300) of Division 5 of the Labor Code or the federal
30 Occupational Safety and Health Act of 1970 (Public Law 91-596),
31 settled against any member of the design-build entity.

32 (ii) Any debarment, disqualification, or removal from a federal,
33 state, or local government public works project.

34 (iii) Any instance where the design-build entity, or its owners,
35 officers, or managing employees submitted a bid on a public works
36 project and were found to be nonresponsive or were found by an
37 awarding body not to be a responsible bidder.

38 (iv) Any instance where the design-build entity, or its owners,
39 officers, or managing employees defaulted on a construction
40 contract.

1 (v) Any violations of the Contractors' State License Law, as
2 described in Chapter 9 (commencing with Section 7000) of Division
3 3 of the Business and Professions Code, including alleged
4 violations of federal or state law regarding the payment of wages,
5 benefits, apprenticeship requirements, or personal income tax
6 withholding, or Federal Insurance Contribution Act (FICA)
7 withholding requirements settled against any member of the
8 design-build entity.

9 (vi) Any bankruptcy or receivership of any member of the
10 design-build entity, including, but not limited to, information
11 concerning any work completed by a surety.

12 (vii) Any settled adverse claims, disputes, or lawsuits between
13 the owner of a public works project and any member of the
14 design-build entity during the five years preceding submission of
15 a bid under this article, in which the claim, settlement, or judgment
16 exceeds fifty thousand dollars (\$50,000). Information shall also
17 be provided concerning any work completed by a surety during
18 this five-year period.

19 (G) If the proposed design-build entity is a partnership, limited
20 partnership, joint-venture, or other association, a copy of the
21 organizational documents or agreement committing to form the
22 organization, and a statement that all general partners, joint
23 venture members, or other association members agree to be fully
24 liable for the performance under the design-build contract.

25 (H) An acceptable safety record. A bidder's safety record shall
26 be deemed acceptable if its experience modification rate for the
27 most recent three-year period is an average of 1.00 or less, and
28 its average total recordable injury/illness rate and average lost
29 work rate for the most recent three-year period does not exceed
30 the applicable statistical standards for its business category or if
31 the bidder is a party to an alternative dispute resolution system
32 as provided for in Section 3201.5 of the Labor Code.

33 (4) The information required under this subdivision shall be
34 verified under oath by the design-build entity and its members in
35 the manner in which civil pleadings in civil actions are verified.
36 Information required under this subdivision that is not a public
37 record under the California Public Records Act, as described in
38 Chapter 3.5 (commencing with Section 6250) of Division 7 of Title
39 1 of the Government Code, shall not be open to public inspection.

1 (d) For those projects utilizing low bid as the final selection
2 method, the competitive bidding process shall result in lump-sum
3 bids by the prequalified design-build entities. Awards shall be
4 made to the lowest responsible bidder.

5 (e) For those projects utilizing best value as a selection method,
6 the design-build competition shall progress as follows:

7 (1) Competitive proposals shall be evaluated by using only the
8 criteria and selection procedures specifically identified in the
9 request for proposals. However, the following minimum factors
10 shall be weighted as deemed appropriate by the contracting
11 transportation entity:

12 (A) Price.

13 (B) Technical design and construction expertise.

14 (C) Life-cycle costs over 15 years or more.

15 (2) Pursuant to subdivision (b), the transportation entity may
16 hold discussions or negotiations with responsive bidders using the
17 process articulated in the transportation entity's request for
18 proposals.

19 (3) When the evaluation is complete, the top three responsive
20 bidders shall be ranked sequentially based on a determination of
21 value provided.

22 (4) The award of the contract shall be made to the responsible
23 bidder whose proposal is determined by the transportation entity
24 to have offered the best value to the public.

25 (5) Notwithstanding any other provision of this code, upon
26 issuance of a contract award, the transportation entity shall
27 publicly announce its award, identifying the contractor to whom
28 the award is made, along with a written decision supporting its
29 contract award and stating the basis of the award. The notice of
30 award shall also include the transportation entity's second- and
31 third-ranked design-build entities.

32 (6) The written decision supporting the transportation entity's
33 contract award, described in paragraph (5), and the contract file
34 shall provide sufficient information to satisfy an external audit.

35 6806. (a) The design-build entity shall provide payment and
36 performance bonds for the project in the form and in the amount
37 required by the transportation entity, and issued by a California
38 admitted surety. In no case shall the amount of the payment bond
39 be less than the amount of the performance bond.

1 ***(b) The design-build contract shall require errors and omissions***
2 ***insurance coverage for the design elements of the project.***

3 ***(c) The commission shall develop a standard form of payment***
4 ***and performance bond. In developing the bond form, the***
5 ***commission shall consult with entities authorized to use the***
6 ***design-build procurement method under this chapter and with***
7 ***representatives of the surety industry to achieve a bond form that***
8 ***is consistent with surety industry standards and practices, while***
9 ***protecting the public interest.***

10 6807. ***(a) The transportation entity, in each design-build***
11 ***request for proposals, may identify specific types of subcontractors***
12 ***that must be included in the design-build entity statement of***
13 ***qualifications and proposal. All construction subcontractors that***
14 ***are identified in the proposal shall be afforded all the protections***
15 ***of Chapter 4 (commencing with Section 4100) of Part 1 of Division***
16 ***2.***

17 ***(b) In awarding subcontracts not listed in the request for***
18 ***proposals, the design-build entity shall do all of the following:***

19 ***(1) Provide public notice of availability of work to be***
20 ***subcontracted in accordance with the publication requirements***
21 ***applicable to the competitive bidding process of the transportation***
22 ***entity.***

23 ***(2) Provide a fixed date and time on which the subcontracted***
24 ***work will be awarded.***

25 ***(3) Establish reasonable qualification criteria and standards.***

26 ***(4) Provide that the subcontracted construction work shall be***
27 ***awarded either on a best value basis or to the lowest responsible***
28 ***bidder. For construction work awarded on a best value basis, the***
29 ***design-build entity shall evaluate all bids utilizing the factors***
30 ***described in paragraph (1) of subdivision (e) of Section 6805, and***
31 ***shall award the contract to the bidder determined by the***
32 ***design-build entity to have offered the best value.***

33 ***(c) Subcontractors awarded subcontracts under this chapter***
34 ***shall be afforded all the protections of Chapter 4 (commencing***
35 ***with Section 4100) of Part 1 of Division 2.***

36 6808. ***(a) Notwithstanding any other provision of this chapter,***
37 ***for a project authorized under subdivision (b) of Section 6802, the***
38 ***department is the responsible agency for the performance of project***
39 ***development services, including performance specifications,***
40 ***preliminary engineering, prebid services, the preparation of project***

1 reports and environmental documents, and construction inspection
2 services. The department is also the responsible agency for the
3 preparation of documents that may include, but need not be limited
4 to, the size, type, and desired design character of the project,
5 performance specifications covering quality of materials,
6 equipment, and workmanship, preliminary plans, and any other
7 information deemed necessary to described adequately the needs
8 of the transportation entity.

9 (b) The department may use department employees or
10 consultants to perform the services described in subdivision (a),
11 consistent with Article XXII of the California Constitution.
12 Department resources, including personnel requirements,
13 necessary for the performance of those services shall be included
14 in the department's capital outlay support program for workload
15 purposes in the annual Budget Act.

16 6809. Nothing in this chapter affects, expands, alters, or limits
17 any rights or remedies otherwise available at law.

18 6811. (a) Not later than June 30 of each year after the
19 design-build contract is awarded, the awarding transportation
20 entity shall submit a progress report to the commission. The
21 progress report shall include, but shall not be limited to, all of the
22 following information:

23 (1) A description of the project.

24 (2) The design-build entity that was awarded the project.

25 (3) The estimated and actual costs of the project.

26 (4) The estimated and actual schedule for project completion.

27 (5) A description of any written protests concerning any aspect
28 of the solicitation, bid, proposal, or award of the design-build
29 project, including, but not limited to, the resolution of the protests.

30 (6) An assessment of the prequalification process and criteria
31 utilized under this chapter.

32 (7) A description of the labor compliance program required
33 under Section 6804 and an assessment of the impact of this
34 requirement on a project.

35 (8) A description of the method used to evaluate the bid,
36 including the weighting of each factor and an assessment of the
37 impact of this requirement on a project.

38 (9) A description of any challenges or unexpected problems that
39 arose during the construction of the project and a description of

1 *the solutions that were considered and ultimately implemented to*
2 *address those challenges and problems.*

3 *(10) Recommendations to improve the design-build process of*
4 *construction procurement authorized under this chapter.*

5 *(b) The commission shall submit an annual report to the*
6 *Legislature that includes the information provided pursuant to*
7 *subdivision (a).*

8 *6812. The provisions of this chapter are severable. If any*
9 *provision of this chapter or its application is held invalid, that*
10 *invalidity shall not affect other provisions or applications that can*
11 *be given effect without the invalid provision or application.*

12 *6813. This chapter shall remain in effect only until January 1,*
13 *2014, and as of that date is repealed, unless a later enacted statute,*
14 *that is enacted before January 1, 2014, deletes or extends that*
15 *date.*

16 *SEC. 4. Section 20688.6 is added to the Public Contract Code,*
17 *to read:*

18 *20688.6. (a) (1) Notwithstanding any other law, an agency,*
19 *with approval of its duly constituted board in a public hearing,*
20 *may utilize an alternative procedure for bidding on projects in the*
21 *community in excess of one million dollars (\$1,000,000) and may*
22 *award the project using either the lowest responsible bidder or by*
23 *best value.*

24 *(2) Only 10 design-build projects shall be authorized under this*
25 *section.*

26 *(b) (1) It is the intent of the Legislature to enable entities as*
27 *provided in Part 1 (commencing with Section 33000) of Division*
28 *24 of the Health and Safety Code to utilize design-build for those*
29 *infrastructure improvements authorized in Sections 33421 and*
30 *33445 of the Health and Safety Code and subject to the limitations*
31 *on that authority described in Section 33421.1 of the Health and*
32 *Safety Code.*

33 *(2) The Legislature also finds and declares that utilizing a*
34 *design-build contract requires a clear understanding of the roles*
35 *and responsibilities of each participant in the design-build process.*

36 *(3) (A) For contracts awarded prior to the effective date of*
37 *either the regulations adopted by the Department of Industrial*
38 *Relations pursuant to subdivision (b) of Section 1771.55 of the*
39 *Labor Code or the fees established by the department pursuant to*
40 *subparagraph (B), if the board elects to proceed under this section,*

1 the board shall establish and enforce for design-build projects a
2 labor compliance program containing the requirements outlined
3 in Section 1771.5 of the Labor Code, or it shall contract with a
4 third party to operate a labor compliance program containing the
5 requirements outlined in Section 1771.5 of the Labor Code. This
6 requirement shall not apply to any project where the agency or
7 the design-build entity has entered into any collective bargaining
8 agreement or agreements that bind all of the contractors
9 performing work on the projects.

10 (B) For contracts awarded on or after the effective date of both
11 the regulations adopted by the Department of Industrial Relations
12 pursuant to subdivision (b) of Section 1771.55 of the Labor Code
13 and the fees established by the department pursuant to this
14 subparagraph, if the board elects to proceed under this section it
15 shall pay a fee to the department, in an amount that the department
16 shall establish, and as it may from time to time amend, sufficient
17 to support the department's costs in ensuring compliance with and
18 enforcing prevailing wage requirements on the project, and labor
19 compliance enforcement as set forth in subdivision (b) of Section
20 1771.55 of the Labor Code. All fees collected pursuant to this
21 subdivision shall be deposited in the State Public Works
22 Enforcement Fund, created by Section 1771.3 of the Labor Code,
23 and shall be used only for enforcement of prevailing wage
24 requirements on those projects.

25 (C) The Department of Industrial Relations may waive the fee
26 set forth in subdivision (b) for a board that has previously been
27 granted approval by the director to initiate and operate a labor
28 compliance program on its projects, and that requests to continue
29 to operate the labor compliance program on its projects in lieu of
30 labor compliance by the department pursuant to subdivision (b)
31 of Section 1771.55. This fee shall not be waived for a board that
32 contracts with a third party to initiate and enforce labor
33 compliance programs on the board's projects.

34 (c) As used in this section:

35 (1) "Best value" means a value determined by objective criteria
36 related to price, features, functions, and life-cycle costs.

37 (2) "Design-build" means a procurement process in which both
38 the design and construction of a project are procured from a single
39 entity.

1 (3) *“Design-build entity” means a partnership, corporation, or*
2 *other legal entity that is able to provide appropriately licensed*
3 *contracting, architectural, and engineering services as needed*
4 *pursuant to a design-build contract.*

5 (4) *“Project” means those infrastructure improvements*
6 *authorized in Sections 33421 and 33455 of the Health and Safety*
7 *Code and subject to the limitations and conditions on that authority*
8 *described in Article 10 (commencing with Section 33420) and*
9 *Article 11 (commencing with Section 33430) of Chapter 4 of Part*
10 *1 of Division 24 of the Health and Safety Code.*

11 (d) *Design-build projects shall progress in a four-step process,*
12 *as follows:*

13 (1) (A) *The agency shall prepare a set of documents setting*
14 *forth the scope of the project. The documents may include, but are*
15 *not limited to, the size, type, and desired design character of the*
16 *public improvement, performance specifications covering the*
17 *quality of materials, equipment, and workmanship, preliminary*
18 *plans or building layouts, or any other information deemed*
19 *necessary to describe adequately the agency’s needs. The*
20 *performance specifications and any plans shall be prepared by a*
21 *design professional who is duly licensed and registered in*
22 *California.*

23 (B) *Any architect or engineer retained by the agency to assist*
24 *in the development of the project specific documents shall not be*
25 *eligible to participate in the preparation of a bid with any*
26 *design-build entity for that project.*

27 (2) (A) *Based on the documents prepared as described in*
28 *paragraph (1), the agency shall prepare a request for proposals*
29 *that invites interested parties to submit competitive sealed*
30 *proposals in the manner prescribed by the agency. The request*
31 *for proposals shall include, but is not limited to, the following*
32 *elements:*

33 (i) *Identification of the basic scope and needs of the project or*
34 *contract, the expected cost range, and other information deemed*
35 *necessary by the agency to inform interested parties of the*
36 *contracting opportunity, to include the methodology that will be*
37 *used by the agency to evaluate proposals and specifically if the*
38 *contract will be awarded to the lowest responsible bidder.*

1 (ii) Significant factors that the agency reasonably expects to
2 consider in evaluating proposals, including cost or price and all
3 nonprice-related factors.

4 (iii) The relative importance of the weight assigned to each of
5 the factors identified in the request for proposals.

6 (B) With respect to clause (iii) of subparagraph (A), if a
7 nonweighted system is used, the agency shall specifically disclose
8 whether all evaluation factors other than cost or price when
9 combined are:

10 (i) Significantly more important than cost or price.

11 (ii) Approximately equal in importance to cost or price.

12 (iii) Significantly less important than cost or price.

13 (C) If the agency chooses to reserve the right to hold discussions
14 or negotiations with responsive bidders, it shall so specify in the
15 request for proposal and shall publish separately or incorporate
16 into the request for proposal applicable rules and procedures to
17 be observed by the agency to ensure that any discussions or
18 negotiations are conducted in good faith.

19 (3) (A) The agency shall establish a procedure to prequalify
20 design-build entities using a standard questionnaire developed by
21 the agency. In preparing the questionnaire, the agency shall consult
22 with the construction industry, including representatives of the
23 building trades and surety industry. This questionnaire shall
24 require information including, but not limited to, all of the
25 following:

26 (i) If the design-build entity is a partnership, limited partnership,
27 or other association, a listing of all of the partners, general
28 partners, or association members known at the time of bid
29 submission who will participate in the design-build contract,
30 including, but not limited to, mechanical subcontractors.

31 (ii) Evidence that the members of the design-build entity have
32 completed, or demonstrated the experience, competency, capability,
33 and capacity to complete, projects of similar size, scope, or
34 complexity, and that proposed key personnel have sufficient
35 experience and training to competently manage and complete the
36 design and construction of the project, as well as a financial
37 statement that assures the agency that the design-build entity has
38 the capacity to complete the project.

1 (iii) *The licenses, registration, and credentials required to design*
2 *and construct the project, including information on the revocation*
3 *or suspension of any license, credential, or registration.*

4 (iv) *Evidence that establishes that the design-build entity has*
5 *the capacity to obtain all required payment and performance*
6 *bonding, liability insurance, and errors and omissions insurance.*

7 (v) *Any prior serious or willful violation of the California*
8 *Occupational Safety and Health Act of 1973, contained in Part 1*
9 *(commencing with Section 6300) of Division 5 of the Labor Code,*
10 *or the federal Occupational Safety and Health Act of 1970 (P.L.*
11 *91-596), settled against any member of the design-build entity,*
12 *and information concerning workers' compensation experience*
13 *history and worker safety program.*

14 (vi) *Information concerning any debarment, disqualification,*
15 *or removal from a federal, state, or local government public works*
16 *project. Any instance in which an entity, its owners, officers, or*
17 *managing employees submitted a bid on a public works project*
18 *and were found to be nonresponsive, or were found by an awarding*
19 *body not to be a responsible bidder.*

20 (vii) *Any instance in which the entity, or its owners, officers, or*
21 *managing employees, defaulted on a construction contract.*

22 (viii) *Any violations of the Contractors' State License Law*
23 *(Chapter 9 (commencing with Section 7000) of Division 3 of the*
24 *Business and Professions Code), including alleged violations of*
25 *federal or state law including the payment of wages, benefits,*
26 *apprenticeship requirements, or personal income tax withholding,*
27 *or of Federal Insurance Contributions Act (FICA) withholding*
28 *requirements settled against any member of the design-build entity.*

29 (ix) *Information concerning the bankruptcy or receivership of*
30 *any member of the design-build entity, including information*
31 *concerning any work completed by a surety.*

32 (x) *Information concerning all settled adverse claims, disputes,*
33 *or lawsuits between the owner of a public works project and any*
34 *member of the design-build entity during the five years preceding*
35 *submission of a bid pursuant to this section, in which the claim,*
36 *settlement, or judgment exceeds fifty thousand dollars (\$50,000).*
37 *Information shall also be provided concerning any work completed*
38 *by a surety during this period.*

39 (xi) *In the case of a partnership, joint venture, or an association*
40 *that is not a legal entity, a copy of the agreement creating the*

1 *partnership or association and specifying that all general partners,*
2 *joint venturers, or association members agree to be fully liable*
3 *for the performance under the design-build contract.*

4 *(B) The information required pursuant to this subdivision shall*
5 *be verified under oath by the entity and its members in the manner*
6 *in which civil pleadings in civil actions are verified. Information*
7 *that is not a public record pursuant to the California Public*
8 *Records Act (Chapter 3.5 (commencing with Section 6250) of*
9 *Division 7 of Title 1 of the Government Code) shall not be open*
10 *to public inspection.*

11 *(4) The agency shall establish a procedure for final selection*
12 *of the design-build entity. Selection shall be based on either of the*
13 *following criteria:*

14 *(A) A competitive bidding process resulting in lump-sum bids*
15 *by the prequalified design-build entities. Awards shall be made to*
16 *the lowest responsible bidder.*

17 *(B) An agency may use a design-build competition based upon*
18 *best value and other criteria set forth in paragraph (2). The*
19 *design-build competition shall include the following elements:*

20 *(i) Competitive proposals shall be evaluated by using only the*
21 *criteria and selection procedures specifically identified in the*
22 *request for proposal. However, the following minimum factors*
23 *shall each represent at least 10 percent of the total weight of*
24 *consideration given to all criteria factors: price, technical design*
25 *and construction expertise, life-cycle costs over 15 years or more,*
26 *skilled labor force availability, and acceptable safety record.*

27 *(ii) Once the evaluation is complete, the top three responsive*
28 *bidders shall be ranked sequentially from the most advantageous*
29 *to the least.*

30 *(iii) The award of the contract shall be made to the responsible*
31 *bidder whose proposal is determined, in writing, to be the most*
32 *advantageous.*

33 *(iv) Notwithstanding any provision of this code, upon issuance*
34 *of a contract award, the agency shall publicly announce its award,*
35 *identifying the contractor to whom the award is made, along with*
36 *a written decision supporting its contract award and stating the*
37 *basis of the award. The notice of award shall also include the*
38 *agency's second- and third-ranked design-build entities.*

39 *(v) For purposes of this paragraph, skilled labor force*
40 *availability shall be determined by the existence of an agreement*

1 *with a registered apprenticeship program, approved by the*
 2 *California Apprenticeship Council, which has graduated*
 3 *apprentices in each of the preceding five years. This graduation*
 4 *requirement shall not apply to programs providing apprenticeship*
 5 *training for any craft that has been deemed by the Department of*
 6 *Labor and the Department of Industrial Relations to be an*
 7 *apprenticeable craft in the five years prior to enactment of this*
 8 *act.*

9 *(vi) For purposes of this paragraph, a bidder's safety record*
 10 *shall be deemed acceptable if its experience modification rate for*
 11 *the most recent three-year period is an average of 1.00 or less,*
 12 *and its average total recordable injury/illness rate and average*
 13 *lost work rate for the most recent three-year period does not exceed*
 14 *the applicable statistical standards for its business category or if*
 15 *the bidder is a party to an alternative dispute resolution system*
 16 *as provided for in Section 3201.5 of the Labor Code.*

17 *(e) (1) Any design-build entity that is selected to design and*
 18 *build a project pursuant to this section shall possess or obtain*
 19 *sufficient bonding to cover the contract amount for nondesign*
 20 *services, and errors and omission insurance coverage sufficient*
 21 *to cover all design and architectural services provided in the*
 22 *contract. This section does not prohibit a general or engineering*
 23 *contractor from being designated the lead entity on a design-build*
 24 *entity for the purposes of purchasing necessary bonding to cover*
 25 *the activities of the design-build entity.*

26 *(2) Any payment or performance bond written for the purposes*
 27 *of this section shall be written using a bond form developed by the*
 28 *agency.*

29 *(f) All subcontractors that were not listed by the design-build*
 30 *entity in accordance with clause (i) of subparagraph (A) of*
 31 *paragraph (3) of subdivision (d) shall be awarded by the*
 32 *design-build entity in accordance with the design-build process*
 33 *set forth by the agency in the design-build package. All*
 34 *subcontractors bidding on contracts pursuant to this section shall*
 35 *be afforded the protections contained in Chapter 4 (commencing*
 36 *with Section 4100) of Part 1. The design-build entity shall do both*
 37 *of the following:*

38 *(1) Provide public notice of the availability of work to be*
 39 *subcontracted in accordance with the publication requirements*
 40 *applicable to the competitive bidding process of the agency.*

1 (2) *Provide a fixed date and time on which the subcontracted*
2 *work will be awarded in accordance with the procedure established*
3 *pursuant to this section.*

4 (g) *The minimum performance criteria and design standards*
5 *established pursuant to paragraph (1) of subdivision (d) shall be*
6 *adhered to by the design-build entity. Any deviations from those*
7 *standards may only be allowed by written consent of the agency.*

8 (h) *The agency may retain the services of a design professional*
9 *or construction project manager, or both, throughout the course*
10 *of the project in order to ensure compliance with this section.*

11 (i) *Contracts awarded pursuant to this section shall be valid*
12 *until the project is completed.*

13 (j) *Nothing in this section is intended to affect, expand, alter,*
14 *or limit any rights or remedies otherwise available at law.*

15 (k) (1) *If the agency elects to award a project pursuant to this*
16 *section, retention proceeds withheld by the agency from the*
17 *design-build entity shall not exceed 5 percent if a performance*
18 *and payment bond, issued by an admitted surety insurer, is required*
19 *in the solicitation of bids.*

20 (2) *In a contract between the design-build entity and the*
21 *subcontractor, and in a contract between a subcontractor and any*
22 *subcontractor thereunder, the percentage of the retention proceeds*
23 *withheld shall not exceed the percentage specified in the contract*
24 *between the agency and the design-build entity. If the design-build*
25 *entity provides written notice to any subcontractor who is not a*
26 *member of the design-build entity, prior to or at the time the bid*
27 *is requested, that a bond may be required and the subcontractor*
28 *subsequently is unable or refuses to furnish a bond to the*
29 *design-build entity, then the design-build entity may withhold*
30 *retention proceeds in excess of the percentage specified in the*
31 *contract between the agency and the design-build entity from any*
32 *payment made by the design-build entity to the subcontractor.*

33 (l) *Each agency that elects to proceed under this section and*
34 *uses the design-build method on a public works project shall submit*
35 *to the Legislative Analyst's Office before December 1, 2014, a*
36 *report containing a description of each public works project*
37 *procured through the design-build process after January 1, 2010,*
38 *and before November 1, 2014. The report shall include, but shall*
39 *not be limited to, all of the following information:*

40 (1) *The type of project.*

1 (2) *The gross square footage of the project.*

2 (3) *The design-build entity that was awarded the project.*

3 (4) *Where appropriate, the estimated and actual length of time*
4 *to complete the project.*

5 (5) *The estimated and actual project costs.*

6 (6) *A description of any written protests concerning any aspect*
7 *of the solicitation, bid, proposal, or award of the design-build*
8 *project, including the resolution of the protests.*

9 (7) *An assessment of the prequalification process and criteria.*

10 (8) *An assessment of the effect of retaining 5-percent retention*
11 *on the project.*

12 (9) *A description of the labor force compliance program and*
13 *an assessment of the project impact, where required.*

14 (10) *A description of the method used to award the contract. If*
15 *best value was the method, the report shall describe the factors*
16 *used to evaluate the bid, including the weighting of each factor*
17 *and an assessment of the effectiveness of the methodology.*

18 (11) *An assessment of the project impact of skilled labor force*
19 *availability.*

20 (12) *An assessment of the design-build dollar limits on agency*
21 *projects. This assessment shall include projects where the agency*
22 *wanted to use design-build and was precluded by the dollar*
23 *limitation. This assessment shall also include projects where the*
24 *best value method was not used due to dollar limitations.*

25 (13) *An assessment of the most appropriate uses for the*
26 *design-build approach.*

27 (m) (1) *In order to comply with paragraph (2) of subdivision*
28 *(a), the State Public Works Board is required to maintain the list*
29 *of agencies that have applied and are eligible to be qualified for*
30 *this authority.*

31 (2) *Each agency that is interested in proceeding under the*
32 *authority in this section must apply to the State Public Works*
33 *Board. The application to proceed shall be in writing and contain*
34 *such information that the State Public Works Board may require.*

35 (3) *The State Public Works Board shall approve or deny an*
36 *application, in writing, within 90 days of the submission of a*
37 *complete application. The authority to deny an application shall*
38 *only be exercised if the condition set forth in paragraph (2) of*
39 *subdivision (a) has been satisfied.*

1 (4) *An agency that has applied for this authorization shall, after*
2 *it determines it no longer is interested in using this authority, notify*
3 *the State Public Works Board in writing within 30 days of its*
4 *determination. Upon notification, the State Public Works Board*
5 *may contact any previous applicants, denied pursuant to paragraph*
6 *(2) of subdivision (a), to inform them of the availability to proceed*
7 *under this section.*

8 (5) *The State Public Works Board may authorize no more than*
9 *10 projects. The board shall not authorize or approve more than*
10 *two projects for any one eligible redevelopment agency that*
11 *submits a completed application.*

12 (6) *The State Public Works Board shall notify the Legislative*
13 *Analyst's Office when 10 projects have been approved.*

14 (n) *On or before January 1, 2015, the Legislative Analyst shall*
15 *report to the Legislature on the use of the design-build method by*
16 *agencies pursuant to this section, including the information listed*
17 *in subdivision (l). The report may include recommendations for*
18 *modifying or extending this section.*

19 (o) *Except as provided in this section, nothing in this act shall*
20 *be construed to affect the application of any other law.*

21 (p) *This section shall remain in effect only until January 1, 2016,*
22 *and as of that date is repealed, unless a later enacted statute, that*
23 *is enacted before January 1, 2016, deletes or extends that date.*

24 SEC. 5. *Section 143 of the Streets and Highways Code is*
25 *amended to read:*

26 143. (a) (1) *"Best value" means a value determined by*
27 *objective criteria, including, but not limited to, price, features,*
28 *functions, life-cycle costs, and other criteria deemed appropriate*
29 *by the department or the regional transportation agency.*

30 (2) *"Contracting entity or lessee" means a public or private*
31 *entity, or consortia thereof, that has entered into a comprehensive*
32 *development lease agreement with the department or a regional*
33 *transportation agency for a transportation project pursuant to this*
34 *section.*

35 (3) *"Design-build" means a procurement process in which both*
36 *the design and construction of a project are procured from a single*
37 *entity.*

38 (4) *"Regional transportation agency" means any of the*
39 *following:*

1 (A) A transportation planning agency as defined in Section
2 29532 or 29532.1 of the Government Code.

3 (B) A county transportation commission as defined in Section
4 130050, 130050.1, or 130050.2 of the Public Utilities Code.

5 (C) Any other local or regional transportation entity that is
6 designated by statute as a regional transportation agency.

7 (D) A joint exercise of powers authority as defined in Chapter
8 5 (commencing with Section 6500) of Division 7 of Title 1 of the
9 Government Code, with the consent of a transportation planning
10 agency or a county transportation commission for the jurisdiction
11 in which the transportation project will be developed.

12 (5) *“Public Infrastructure Advisory Commission” means a unit*
13 *or auxiliary organization established by the Business,*
14 *Transportation and Housing Agency that advises the department*
15 *and regional transportation agencies in developing transportation*
16 *projects through performance-based infrastructure partnerships.*

17 ~~(2)~~

18 (6) “Transportation project” means one or more of the following:
19 planning, design, development, finance, construction,
20 reconstruction, rehabilitation, improvement, acquisition, lease,
21 operation, or maintenance of highway, public street, rail, or related
22 facilities supplemental to existing facilities currently owned and
23 operated by the department or regional transportation agencies
24 that is consistent with the requirements of ~~paragraph (2)~~ of
25 subdivision ~~(b)~~ (c).

26 (b) (1) *The Public Infrastructure Advisory Commission shall*
27 *do all of the following:*

28 (A) *Identify transportation project opportunities throughout the*
29 *state.*

30 (B) *Research and document similar transportation projects*
31 *throughout the state, nationally, and internationally, and further*
32 *identify and evaluate lessons learned from these projects.*

33 (C) *Assemble and make available to the department or regional*
34 *transportation agencies a library of information, precedent,*
35 *research, and analysis concerning infrastructure partnerships and*
36 *related types of public-private transactions for public*
37 *infrastructure.*

38 (D) *Advise the department and regional transportation agencies,*
39 *upon request, regarding infrastructure partnership suitability and*
40 *best practices.*

1 (E) Provide, upon request, procurement-related services to the
2 department and regional transportation agencies for infrastructure
3 partnership.

4 (2) The Public Infrastructure Advisory Commission may charge
5 a fee to the department and regional transportation agencies for
6 the services described in subparagraphs (D) and (E) of paragraph
7 (1), the details of which shall be articulated in an agreement
8 entered into between the Public Infrastructure Advisory
9 Commission and the department or the regional transportation
10 agency.

11 (b)

12 (c) (1) Notwithstanding any other provision of law, only the
13 department, in cooperation with regional transportation agencies,
14 and regional transportation agencies, may solicit proposals, accept
15 unsolicited proposals, negotiate, and enter into comprehensive
16 development lease agreements with public or private entities, or
17 consortia thereof, for transportation projects.

18 (2) ~~The number of projects authorized pursuant to this section~~
19 ~~shall be limited to two projects in northern California and two~~
20 ~~projects in southern California. Projects proposed pursuant to this~~
21 ~~section and associated lease agreements shall be submitted to the~~
22 ~~California Transportation Commission. The—California~~
23 ~~Transportation Commission commission, at a regularly scheduled~~
24 ~~public hearing, shall select the candidate projects from projects~~
25 ~~nominated by the department or a regional transportation agency~~
26 ~~after reviewing the nominations for consistency with paragraphs~~
27 ~~(3) and (4). No fewer than two of the selected projects shall be~~
28 ~~nominated by a regional transportation agency. The Approved~~
29 ~~projects may proceed with the process described in paragraph~~
30 ~~(5).~~

31 (3) The projects authorized pursuant to this section shall be
32 primarily designed to improve goods movement, including, but
33 not limited to, exclusive truck lanes and rail access and operational
34 improvements. The achieve the following performance objectives:

35 (A) Improve mobility by improving travel times or reducing the
36 number of vehicle hours of delay in the affected corridor.

37 (B) Improve the operation or safety of the affected corridor.

38 (C) Provide quantifiable air quality benefits for the region in
39 which the project is located.

1 (4) *In addition to meeting the requirements of paragraph (3),*
2 *the projects authorized pursuant to this section shall address a*
3 *known forecast demand, as determined by the department or*
4 *regional transportation agency.*

5 ~~(3) All negotiated lease agreements~~

6 (5) *At least 60 days prior to executing a final lease agreement*
7 *authorized pursuant to this section, the department or regional*
8 *transportation agency shall be submitted submit the agreement to*
9 *the Legislature for approval or rejection and the Public*
10 *Infrastructure Advisory Commission for review. Prior to submitting*
11 *a lease agreement to the Legislature and the Public Infrastructure*
12 *Advisory Commission, the department or regional transportation*
13 *agency shall conduct at least one public hearing at a location at or*
14 *near the proposed facility for purposes of receiving public comment*
15 *on the lease agreement. Public comments made during this hearing*
16 *shall be submitted to the Legislature and the Public Infrastructure*
17 *Advisory Commission with the lease agreement. Unless the*
18 *Legislature passes a resolution, with both houses concurring,*
19 *rejecting a negotiated lease agreement within 60 legislative days*
20 *of the agreement being submitted to it, the agreement shall be*
21 *deemed approved. A lease agreement may not be amended by the*
22 *Legislature. The Secretary of Business, Transportation and*
23 *Housing or the Chairperson of the Senate or Assembly fiscal*
24 *committees or policy committees with jurisdiction over*
25 *transportation matters may, by written notification to the*
26 *department or regional transportation agency, provide any*
27 *comments about the proposed agreement within the 60-day period*
28 *prior to the execution of the final agreement. The department or*
29 *regional transportation agency shall consider those comments*
30 *prior to executing a final agreement and shall retain the discretion*
31 *for executing the final lease agreement.*

32 ~~(e)~~

33 (d) *For the purpose of facilitating those projects, the agreements*
34 *between the parties may include provisions for the lease of*
35 *rights-of-way in, and airspace over or under, highways, public*
36 *streets, rail, or related facilities for the granting of necessary*
37 *easements, and for the issuance of permits or other authorizations*
38 *to enable the construction of transportation projects. Facilities*
39 *subject to an agreement under this section shall, at all times, be*
40 *owned by the department or the regional transportation agency,*

1 as appropriate. For department projects, the commission shall
2 certify the department's determination of the useful life of the
3 project in establishing the lease agreement terms. In consideration
4 therefor, the agreement shall provide for complete reversion of the
5 leased facility, together with the right to collect tolls and user fees,
6 to the department or regional transportation agency, at the
7 expiration of the lease at no charge to the department or regional
8 transportation agency. At time of the reversion, the facility shall
9 be delivered to the department or regional transportation agency,
10 as applicable, in a condition that meets the performance and
11 maintenance standards established by the department or regional
12 transportation agency and that is free of any encumbrance, lien,
13 or other claims.

14 *(e) Agreements between the department or regional*
15 *transportation agency and the contracting entity or lessee shall*
16 *authorize the contracting entity or lessee to use a design-build*
17 *method of procurement for transportation projects, subject to the*
18 *requirements for utilizing such a method contained in Chapter 6.5*
19 *(commencing with Section 6800) of Part 1 of Division 2 of the*
20 *Public Contract Code, other than Sections 6802, 6803, and 6813*
21 *of that code, if those provisions are enacted by the Legislature*
22 *during the 2009–10 Regular Session, or a 2009–10 extraordinary*
23 *session.*

24 *(f) (1) (A) Notwithstanding any other provision of this chapter,*
25 *for projects on the state highway system, the department is the*
26 *responsible agency for the performance of project development*
27 *services, including performance specifications, preliminary*
28 *engineering, prebid services, the preparation of project reports*
29 *and environmental documents, and construction inspection*
30 *services. The department is also the responsible agency for the*
31 *preparation of documents that may include, but need not be limited*
32 *to, the size, type, and desired design character of the project,*
33 *performance specifications covering the quality of materials,*
34 *equipment, and workmanship, preliminary plans, and any other*
35 *information deemed necessary to describe adequately the needs*
36 *of the department or regional transportation agency.*

37 *(B) The department may use department employees or*
38 *consultants to perform the services described in subparagraph*
39 *(A), consistent with Article XXII of the California Constitution.*
40 *Department resources, including personnel requirements,*

1 *necessary for the performance of those services shall be included*
2 *in the department's capital outlay support program for workload*
3 *purposes in the annual Budget Act.*

4 ~~(d) (1)–~~

5 (2) The department or a regional transportation agency may
6 exercise any power possessed by it with respect to transportation
7 projects to facilitate the transportation projects pursuant to this
8 section. The department, regional transportation agency, and other
9 state or local agencies may provide services to the contracting
10 entity *or lessee* for which the public entity is reimbursed, including,
11 but not limited to, planning, environmental planning, environmental
12 certification, environmental review, preliminary design, design,
13 right-of-way acquisition, construction, maintenance, and policing
14 of these transportation projects. The department or regional
15 transportation agency, as applicable, shall regularly inspect the
16 facility and require the *contracting entity or lessee* to maintain and
17 operate the facility according to adopted standards. ~~The~~ *Except as*
18 *may otherwise be set forth in the lease agreement, the contracting*
19 *entity or lessee* shall be responsible for all costs due to
20 development, maintenance, repair, rehabilitation, and
21 reconstruction, and operating costs.

22 ~~(2)~~

23 (g) (1) In selecting private entities with which to enter into
24 these agreements, notwithstanding any other provision of law, the
25 department and regional transportation agencies may utilize, but
26 are not limited to utilizing, one or more of the following
27 procurement approaches:

28 (A) Solicitations of proposals for defined projects and calls for
29 project proposals within defined parameters.

30 (B) Prequalification and short-listing of proposers prior to final
31 evaluation of proposals.

32 (C) Final evaluation of proposals based on qualifications; *and*
33 *best value, or both. If final evaluation is to be based on best value,*
34 ~~the.~~ *The California Transportation Commission shall develop and*
35 *adopt criteria for making that evaluation prior to evaluation of a*
36 *proposal.*

37 (D) Negotiations with proposers prior to award.

38 (E) Acceptance of unsolicited proposals, with issuance of
39 requests for competing proposals. *Neither the department nor a*
40 *regional transportation agency may award a contract to an*

1 *unsolicited bidder without receiving at least one other responsible*
2 *bid.*

3 (2) *When evaluating a proposal submitted by the contracting*
4 *entity or lessee, the department or the regional transportation*
5 *agency may award a contract on the basis of the lowest bid or best*
6 *value.*

7 (h) *The contracting entity or lessee shall have the following*
8 *qualifications:*

9 (1) *Evidence that the members of the contracting entity or lessee*
10 *have completed, or have demonstrated the experience, competency,*
11 *capability, and capacity to complete, a project of similar size,*
12 *scope, or complexity, and that proposed key personnel have*
13 *sufficient experience and training to competently manage and*
14 *complete the design and construction of the project, and a financial*
15 *statement that ensures that the contracting entity or lessee has the*
16 *capacity to complete the project.*

17 (2) *The licenses, registration, and credentials required to design*
18 *and construct the project, including, but not limited to, information*
19 *on the revocation or suspension of any license, credential, or*
20 *registration.*

21 (3) *Evidence that establishes that members of the contracting*
22 *entity or lessee have the capacity to obtain all required payment*
23 *and performance bonding, liability insurance, and errors and*
24 *omissions insurance.*

25 (4) *Evidence that the contracting entity or lessee has workers'*
26 *compensation experience, history, and a worker safety program*
27 *of members of the contracting entity or lessee that is acceptable*
28 *to the department or regional transportation agency.*

29 (5) *A full disclosure regarding all of the following with respect*
30 *to each member of the contracting entity or lessee during the past*
31 *five years:*

32 (A) *Any serious or willful violation of Part 1 (commencing with*
33 *Section 6300) of Division 5 of the Labor Code or the federal*
34 *Occupational Safety and Health Act of 1970 (Public Law 91-596).*

35 (B) *Any instance where members of the contracting entity or*
36 *lessee were debarred, disqualified, or removed from a federal,*
37 *state, or local government public works project.*

38 (C) *Any instance where members of the contracting entity or*
39 *lessee, or its owners, officers, or managing employees submitted*

1 *a bid on a public works project and were found to be nonresponsive*
2 *or were found by an awarding body not to be a responsible bidder.*

3 *(D) Any instance where members of the contracting entity or*
4 *lessee, or its owners, officers, or managing employees defaulted*
5 *on a construction contract.*

6 *(E) Any violations of the Contractors' State License Law*
7 *(Chapter 9 (commencing with Section 7000) of Division 3 of the*
8 *Business and Professions Code), including, but not limited to,*
9 *alleged violations of federal or state law regarding the payment*
10 *of wages, benefits, apprenticeship requirements, or personal*
11 *income tax withholding, or Federal Insurance Contribution Act*
12 *(FICA) withholding requirements.*

13 *(F) Any bankruptcy or receivership of any member of the*
14 *contracting entity or lessee, including, but not limited to,*
15 *information concerning any work completed by a surety.*

16 *(G) Any settled adverse claims, disputes, or lawsuits between*
17 *the owner of a public works project and any member of the*
18 *contracting entity or lessee during the five years preceding*
19 *submission of a bid under this article, in which the claim,*
20 *settlement, or judgment exceeds fifty thousand dollars (\$50,000).*
21 *Information shall also be provided concerning any work completed*
22 *by a surety during this five-year period.*

23 *(H) If the contracting entity or lessee is a partnership, joint*
24 *venture, or an association that is not a legal entity, a copy of the*
25 *agreement creating the partnership or association that specifies*
26 *that all general partners, joint venturers, or association members*
27 *agree to be fully liable for the performance under the agreement.*

28 ~~(I)~~

29 *(i) No agreement entered into pursuant to this section shall*
30 *infringe on the authority of the department or a regional*
31 *transportation agency to develop, maintain, repair, rehabilitate,*
32 *operate, or lease any transportation project. Lease agreements may*
33 *provide for reasonable compensation to the leaseholder contracting*
34 *entity or lessee for the adverse effects on toll revenue or user fee*
35 *revenue due to the development, operation, or lease of*
36 *supplemental transportation projects with the exception of any of*
37 *the following:*

38 ~~(A)~~

39 *(I) Projects identified in regional transportation plans prepared*
40 *pursuant to Section 65080 of the Government Code and submitted*

1 to the commission as of the date the commission selected the
2 project to be developed through a lease agreement, as provided in
3 this section, unless provided by the lease agreement approved by
4 the department or regional transportation agency and the
5 commission.

6 (B)

7 (2) Safety projects.

8 (C)

9 (3) Improvement projects that will result in incidental capacity
10 increases.

11 (D)

12 (4) Additional high-occupancy vehicle lanes or the conversion
13 of existing lanes to high-occupancy vehicle lanes.

14 (E)

15 (5) Projects located outside the boundaries of a public-private
16 partnership project, to be defined by the lease agreement.

17 However, compensation to a ~~leaseholder~~ *contracting entity or*
18 *lessee* shall only be made after a demonstrable reduction in use of
19 the facility resulting in reduced toll or user fee revenues, and may
20 not exceed the *difference between the* reduction in those revenues
21 *and the amount necessary to cover the costs of debt service,*
22 *including principal and interest on any debt incurred for the*
23 *development, operation, maintenance, or rehabilitation of the*
24 *facility.*

25 (e)

26 (j) (1) Agreements entered into pursuant to this section shall
27 authorize the contracting entity *or lessee* to impose tolls and user
28 fees for use of a facility constructed by it, and shall require that
29 over the term of the lease the toll revenues and user fees be applied
30 to payment of the capital outlay costs for the project, the costs
31 associated with operations, toll and user fee collection,
32 administration of the facility, reimbursement to the department or
33 other governmental entity for the costs of services to develop and
34 maintain the project, police services, and a reasonable return on
35 investment. The agreement shall require that, notwithstanding
36 Sections 164, 188, and 188.1, any excess toll or user fee revenue
37 either be applied to any indebtedness incurred by the contracting
38 entity *or lessee* with respect to the project, improvements to the
39 project, or be paid into the State Highway Account, or for all three
40 purposes, except that any excess toll revenue under a lease

1 agreement with a regional transportation agency may be paid to
2 the regional transportation agency for use in improving public
3 transportation in and near the project boundaries.

4 (2) Lease agreements shall establish specific toll or user fee
5 rates. Any proposed increase in those rates *not otherwise*
6 *established or identified in the lease agreement* during the term
7 of the agreement shall first be approved by the department or
8 regional transportation agency, *as appropriate*, after at least one
9 public hearing conducted at a location near the proposed or existing
10 facility.

11 (3) The collection of tolls and user fees for the use of these
12 facilities may be extended by the commission or regional
13 transportation agency at the expiration of the lease agreement.
14 However, those tolls or user fees ~~may~~ *shall* not be used for any
15 purpose other than for the improvement, continued operation, or
16 maintenance of the facility.

17 ~~(4) Tolls and user fees may not be charged to noncommercial~~
18 ~~vehicles with three or fewer axles.~~

19 *(k) Agreements entered into pursuant to this section shall include*
20 *indemnity, defense, and hold harmless provisions agreed to by the*
21 *department or regional transportation agency and the contracting*
22 *entity or lessee, including provisions for indemnifying the State of*
23 *California or the regional transportation agency against any claims*
24 *or losses resulting or accruing from the performance of the*
25 *contracting entity or lessee.*

26 ~~(f)~~

27 *(l) The plans and specifications for each transportation project*
28 *on the state highway system* developed, maintained, repaired,
29 rehabilitated, reconstructed, or operated pursuant to this section
30 shall comply with the department's standards for state
31 transportation projects. The lease agreement shall include
32 performance standards, including, but not limited to, levels of
33 service. The agreement shall require facilities on the state highway
34 system to meet all requirements for noise mitigation, landscaping,
35 pollution control, and safety that otherwise would apply if the
36 department were designing, building, and operating the facility.
37 If a facility is on the state highway system, the facility leased
38 pursuant to this section shall, during the term of the lease, be
39 deemed to be a part of the state highway system for purposes of
40 identification, maintenance, enforcement of traffic laws, and for

1 the purposes of Division 3.6 (commencing with Section 810) of
2 Title 1 of the Government Code.

3 ~~(g)~~

4 (m) Failure to comply with the lease agreement in any significant
5 manner shall constitute a default under the agreement and the
6 department or the regional transportation agency, as appropriate,
7 shall have the option to initiate processes to revert the facility to
8 the public agency.

9 ~~(h)~~

10 (n) The assignment authorized by subdivision (c) of Section
11 130240 of the Public Utilities Code is consistent with this section.

12 ~~(i)~~

13 (o) A lease to a private entity pursuant to this section is deemed
14 to be public property for a public purpose and exempt from
15 leasehold, real property, and ad valorem taxation, except for the
16 use, if any, of that property for ancillary commercial purposes.

17 ~~(j)~~

18 (p) Nothing in this section is intended to infringe on the authority
19 to develop high-occupancy toll lanes pursuant to Section 149.4,
20 149.5, or 149.6.

21 ~~(k)~~

22 (q) Nothing in this section shall be construed to allow the
23 conversion of any existing nontoll or nonuser-fee lanes into tolled
24 or user fee lanes with the exception of a high-occupancy vehicle
25 lane that may be operated as a high-occupancy toll lane for vehicles
26 not otherwise meeting the requirements for use of that lane.

27 ~~(t)~~

28 (r) The lease agreement shall require the *contracting entity or*
29 lessee to provide any information or data requested by the
30 California Transportation Commission or the Legislative Analyst.
31 The commission, in cooperation with the Legislative Analyst, shall
32 annually prepare a report on the progress of each project and
33 ultimately on the operation of the resulting facility. The report
34 shall include, but not be limited to, a review of the performance
35 standards, a financial analysis, and any concerns or
36 recommendations for changes in the ~~future~~ *program authorized*
37 *by this section.*

38 (s) *Notwithstanding any other provision of this section, no lease*
39 *agreement may be entered into pursuant to the section that affects,*
40 *alters, or supersedes the Memorandum of Understanding (MOU),*

1 *dated November 26, 2008, entered into by the Golden Gate Bridge*
2 *Highway and Transportation District, the Metropolitan*
3 *Transportation Commission, and the San Francisco County*
4 *Transportation Authority, relating to the financing of the U.S.*
5 *Highway 101/Doyle Drive reconstruction project located in the*
6 *City and County of San Francisco.*

7 ~~(m)~~

8 *(t) No lease agreements may be entered into under this section*
9 *on or after January 1, 2012 2017.*

10 *SEC. 6. (a) Notwithstanding any other provision of law, the*
11 *peer review committee established pursuant to subdivision (d) of*
12 *Section 6803 of the Public Contract Code shall continue to operate*
13 *until it has fulfilled the reporting requirements of this section.*

14 *(b) The committee shall conduct an evaluation of all*
15 *transportation projects using the design-build method of*
16 *construction procurement authorized under Chapter 6.5*
17 *(commencing with Section 6800) of Part 1 of Division 2 of the*
18 *Public Contract Code.*

19 *(c) The evaluation pursuant to subdivision (b) shall examine*
20 *the procurement method, comparing those projects using low bid*
21 *and best value, and shall consider whether the projects were on*
22 *time and on budget. The evaluation shall also compare the*
23 *design-build projects to similar transportation projects that used*
24 *the design-bid-build method of construction procurement.*

25 *(d) (1) The California Transportation Commission shall submit*
26 *a midterm report of its findings to the Legislature no later than*
27 *June 30, 2012.*

28 *(2) The California Transportation Commission shall submit a*
29 *final report of its findings to the Legislature no later than June*
30 *30, 2015.*

31 *SEC. 7. No reimbursement is required by this act pursuant to*
32 *Section 6 of Article XIII B of the California Constitution because*
33 *the only costs that may be incurred by a local agency or school*
34 *district will be incurred because this act creates a new crime or*
35 *infraction, eliminates a crime or infraction, or changes the penalty*
36 *for a crime or infraction, within the meaning of Section 17556 of*
37 *the Government Code, or changes the definition of a crime within*
38 *the meaning of Section 6 of Article XIII B of the California*
39 *Constitution.*

1 SECTION 1. ~~It is the intent of the Legislature to enact statutory~~
2 ~~changes relating to the Budget Act of 2008.~~

O